

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name BULLARD SANFORD MEMORIAL LIBRARY	County TUSCOLA
Audit Date 6/30/05	Opinion Date 9/15/05	Date Accountant Report Submitted to State: 12/2/05	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- | | |
|---|---|
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) BERTHIAUME & COMPANY CPAS			
Street Address 60 HARROW LANE	City SAGINAW	State MI	ZIP 48638
Accountant Signature <i>Kenneth A. Berthiaume</i>		Date 12-2-05	

BULLARD SANFORD MEMORIAL LIBRARY

Vassar, Michigan

FINANCIAL STATEMENTS

June 30, 2005

TABLE OF CONTENTS

	PAGE
Independent Auditors' Report	1
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets	3
Statement of Activities	4
Fund Financial Statements:	
<i>Governmental Funds:</i>	
Balance Sheet	5
Reconciliation of Fund Balances of Governmental Funds to Net Assets of	
Governmental Activities	6
Statement of Revenues, Expenditures and Changes in Fund Balances	7
Reconciliation of the Statement of Revenues, Expenditures and Changes in	
Fund Balances of Governmental Funds to the Statement of Activities	8
Notes to Financial Statements	10
Required Supplemental Information:	
Budgetary Comparison Schedule – General Fund	19
Other Supplemental Information:	
<i>General Fund:</i>	
Detailed Schedule of Revenues	21
Detailed Schedule of Expenditures	22
Management Letter	23

**BERTHIAUME
& COMPANY**

Certified Public Accountants



60 Harrow Lane
Saginaw, Michigan 48603

(989) 791-1555
Fax (989) 791-1992

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Bullard Sanford Memorial Library
Vassar, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Bullard Sanford Memorial Library as of and for the year ended June 30, 2005, which collectively comprise the Library's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Bullard Sanford Memorial Library's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Bullard Sanford Memorial Library, as of June 30, 2005, and the respective changes in financial position, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The budgetary comparison schedule is not a required part of the basic financial statements but is supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Bullard Sanford Memorial Library's basic financial statements. The accompanying other supplemental information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The accompanying financial statements do not present a management's discussion and analysis, which would be an analysis of the financial performance for the year. The Governmental Accounting Standards Board has determined that this analysis is necessary to supplement, although not required to be a part of, the basic financial statements.

Berthiaume & Co.

September 15, 2005

BASIC FINANCIAL STATEMENTS

BULLARD SANFORD MEMORIAL LIBRARY

STATEMENT OF NET ASSETS

June 30, 2005

Assets:

Cash and cash equivalents	\$ 154,651
Receivables	11,783
Prepaid expenses	1,158
Capital assets:	
Depreciable capital assets, net	<u>206,481</u>
Total assets	<u>374,073</u>

Liabilities:

Accounts payable and accrued expenses	842
Deferred revenue	2,872
Long-term liabilities:	
Due within one year	3,394
Due in more than one year	<u>57,388</u>
Total liabilities	<u>64,496</u>

Net assets:

Invested in capital assets, net of related debt	147,154
Restricted for:	
Capital improvements	138,307
Unrestricted	<u>24,116</u>
Total net assets	<u>\$ 309,577</u>

The accompanying notes are an integral part of these financial statements.

BULLARD SANFORD MEMORIAL LIBRARY

STATEMENT OF ACTIVITIES

Year Ended June 30, 2005

Program expenses:

Personal services	\$ 139,743
Materials and services	71,573
Depreciation	51,277
Interest on long-term debt	<u>5,179</u>

Total program expenses	<u>267,772</u>
------------------------	----------------

Program revenues:

Charges for services	6,050
Operating grants and contributions	<u>217,337</u>

Total program revenues	<u>223,387</u>
------------------------	----------------

Net program expenses (revenues)	<u>44,385</u>
---------------------------------	---------------

General revenues:

Property taxes	181,662
Payment in lieu of taxes	102
Investment earnings	932
Miscellaneous	<u>3,389</u>

Total general revenues	<u>186,085</u>
------------------------	----------------

Increase in net assets	141,700
------------------------	---------

Net assets, beginning of the year, as restated	<u>167,877</u>
--	----------------

Net assets, end of the year	<u><u>\$ 309,577</u></u>
-----------------------------	--------------------------

The accompanying notes are an integral part of these financial statements.

BULLARD SANFORD MEMORIAL LIBRARY

GOVERNMENTAL FUNDS

BALANCE SHEET

June 30, 2005

Assets:

Cash and cash equivalents	\$ 154,651
Taxes receivable	2,231
Due from other governmental units	9,552
Prepaid expenditures	<u>1,158</u>
Total assets	<u>\$ 167,592</u>

Liabilities and Fund Balance:

Liabilities:

Accounts payable and accrued expenses	\$ 842
Deferred revenue	<u>5,103</u>
Total liabilities	<u>5,945</u>

Fund balance:

Reserved for:	
Prepaid expenditures	1,158
Capital improvements	138,307
Unreserved	<u>22,182</u>
Total fund balance	<u>161,647</u>
Total liabilities and fund balance	<u>\$ 167,592</u>

The accompanying notes are an integral part of these financial statements.

BULLARD SANFORD MEMORIAL LIBRARY

RECONCILIATION OF FUND BALANCES OF THE GOVERNMENTAL FUNDS TO NET ASSETS OF GOVERNMENTAL ACTIVITIES

June 30, 2005

Total fund balances for governmental funds \$ 161,647

Total net assets reported for governmental activities in the statement of
of net assets is different because:

Capital assets used in governmental activities are not financial resources
and therefore are not reported in the governmental funds.

Governmental capital assets	537,349	
Less accumulated depreciation	<u>(330,868)</u>	206,481

Deferred revenues reported in the governmental funds are recognized as
revenues for the governmental activities. 2,231

Long-term liabilities are not due and payable in the current year and
therefore are not reported in the governmental funds.

Note payable	(59,327)	
Compensated absences payable	<u>(1,455)</u>	<u>(60,782)</u>

Net assets of governmental activities \$ 309,577

The accompanying notes are an integral part of these financial statements.

BULLARD SANFORD MEMORIAL LIBRARY

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended June 30, 2005

Revenues:

Property taxes	\$ 181,630
State grants	8,602
Contributions from other units	57,980
Interest and rents	6,982
Other revenue	<u>154,144</u>

Total revenues	<u>409,338</u>
----------------	----------------

Expenditures:

Current	
Recreation and culture	201,038
Capital outlay	42,278
Debt service	
Principal	78,210
Interest and fees	<u>5,179</u>

Total expenditures	<u>326,705</u>
--------------------	----------------

Excess (deficiency) of revenues over expenditures	<u>82,633</u>
--	---------------

Other financing sources:

Proceeds from tax anticipation note	<u>75,000</u>
-------------------------------------	---------------

Total other financing sources	<u>75,000</u>
-------------------------------	---------------

Net change in fund balance	157,633
----------------------------	---------

Fund balance, beginning of year	<u>4,014</u>
---------------------------------	--------------

Fund balance, end of year	<u><u>\$ 161,647</u></u>
---------------------------	--------------------------

The accompanying notes are an integral part of these financial statements.

BULLARD SANFORD MEMORIAL LIBRARY

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Year Ended June 30, 2005

Net change in fund balances - total governmental funds **\$ 157,633**

Total change in net assets reported for governmental activities in the statement of activities is different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is depreciated over their estimated useful lives and reported as depreciation expense.

Capital outlay	32,028	
Less depreciation expense	<u>(51,277)</u>	(19,249)

Revenues in the statement of activities that do not provide current financial resources are reported as deferred revenue in the funds. 134

Debt proceeds are reported as financing sources in the governmental funds and thus contribute to the change in fund balance. In the statement of net assets, however, issuing debt increases long-term liabilities and does not affect the statement of activities.

Proceeds received on tax anticipation note	(75,000)
--	----------

Repayments of principal on notes, loans and contracts is an expenditure in governmental funds, but the payment reduces long-term liabilities in the statement of net assets.

Principal repayment on tax anticipation note	75,000	
Principal repayment on note payable	<u>3,210</u>	78,210

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Change in compensated absences payable	<u>(28)</u>
--	-------------

Change in net assets of governmental activities **\$ 141,700**

The accompanying notes are an integral part of these financial statements.

NOTES TO FINANCIAL STATEMENTS

BULLARD SANFORD MEMORIAL LIBRARY

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

On May 6, 1996, pursuant to 1989 P.A. 24 of the State of Michigan, and effective July 1, 1996, for financial reporting purposes, the City of Vassar and Tuscola and Vassar Townships agreed jointly to establish a District Library - the Bullard Sanford Memorial Library. Subsequently, in 1998 a portion of Juniata Township which is not in the Caro School District joined with the District Library. The primary funding sources of the District Library are property taxes (1 mill), penal fines and state aid. The City of Vassar, Tuscola Township, and Vassar Township each appoint two library trustees, and Juniata Township appoints one, for a total of seven library trustees.

The accounting policies of the Bullard Sanford Memorial Library conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the significant accounting policies:

Reporting Entity

The Library has adopted the position of the Governmental Accounting Standards Board regarding the definition of the "reporting entity." The basic criterion for including a governmental department, agency, institution, commission, public authority or other governmental organization in a governmental unit's general purpose financial report is the exercise of oversight responsibility over such agencies by the governmental unit's elected officials. The manifestations of such oversight responsibility are financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters.

Accordingly, the Library has not consolidated any other governmental entities in its financial statements. The Library is not considered to be a component of any other unit.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The accounts of the Library are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Government-wide Financial Statements

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

BULLARD SANFORD MEMORIAL LIBRARY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2005

The statement of net assets and the statement of activities report information on all of the governmental activities. The Library only has governmental activities.

The statement of net assets presents governmental activities on a consolidated basis, using the economic resources measurement focus and accrual basis of accounting. This method recognizes all long-term assets and receivables as well as long-term debt and obligations. The Library's net assets are reported in three parts (1) invested in capital assets, net of related debt, (2) restricted net assets, and (3) unrestricted net assets. The Library first utilizes restricted resources to finance qualifying activities.

The statement of activities reports both the gross and net cost of each of the Library's functions. The functions are also supported by general government revenues (property taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The statement of activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The net costs (by function) are normally covered by general revenue (property taxes, state sources and federal sources, interest income, etc.). The Library does not allocate indirect costs.

The government-wide focus is on the sustainability of the Library as an entity and the change in the Library's net assets resulting from current year activities.

Fund Financial Statements

Separate financial statements are provided for the major governmental fund.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, intergovernmental grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the government. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met. Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. All other revenue items are considered to be measurable and available only when cash is received by the government.

The Library reports the following major governmental funds:

General Fund – The General Fund is the primary operating fund of the Library. It is used to account for all financial resources.

BULLARD SANFORD MEMORIAL LIBRARY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2005

Assets, Liabilities and Equity

Deposits and Investments – Cash and cash equivalents include cash on hand, demand deposits, certificates of deposit and short term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Prepaid Expenditures – Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid expenditures in both the government-wide and fund financial statements.

Capital Assets – Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair market value at the date of donation. The Library defines capital assets as assets with an initial individual cost in excess of \$1,500. Costs of normal repair and maintenance that do not add to the value or materially extend asset lives are not capitalized.

Library books, media, and periodicals which comprise the Library's collections are recorded as assets at cost. Because of their nature and relevance to the Library's operations, they are capitalized despite individually being below the capitalization threshold.

Buildings, furniture and equipment, vehicles and collections are depreciated using the straight-line method over the following useful lives:

Buildings	50 years
Furniture and equipment	10-15 years
Vehicle	5 years
Collections	3-7 years

Compensated Absences – It is the Library's policy to permit the Director to accumulate earned but unused sick hours up to 360. Upon retirement or leaving the employment of the Library, the Director would be paid for one half of the accumulated hours. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental funds only when they have matured or come due for payment – generally when an individual's employment has terminated as of year end.

Long-term Obligations – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net assets.

Fund Equity – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

BULLARD SANFORD MEMORIAL LIBRARY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2005

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

Property Taxes

The library tax of 1 mill (.9884 mill) is levied by the City of Vassar and the Townships of Tuscola, Vassar, and Juanita based on the assessed valuation of property, as equalized by the State, as of the preceding December 31. Property taxes are recognized as revenue in the year levied, except for insignificant amounts of delinquent personal property taxes which are recognized as revenue when collected. A portion of the Juniata Township taxes are allocated to the Fairgrove Library.

The 2004 taxable valuation for each of the units is as follows:

	Taxable Valuations
City of Vassar	\$ 49,377,239
Juniata Township	21,478,017
Tuscola Township	54,483,863
Vassar Township	68,447,626

NOTE 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information

An operating budget is adopted at the activity level each fiscal year for the General Fund on the modified accrual basis used to reflect actual revenues and expenditures. Budgetary control (the level at which expenditures may not legally exceed appropriations) is exercised at the activity level. Supplemental appropriations that amend the total of any fund and transfers of budget amounts between activity levels require board approval.

Excess of Expenditures over Appropriations in Budgeted Funds

During the year, the Library did not incur expenditures that were in excess of the amounts budgeted.

BULLARD SANFORD MEMORIAL LIBRARY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2005

NOTE 3: DEPOSITS AND INVESTMENTS

The Library's cash balance of \$54,650 was being held in the pooled accounts of the City of Vassar. In addition, the Library holds certificates of deposit in the amount of \$100,000. A portion of the City's accounts are insured by FDIC. The City is in compliance with Act 217 PA 1982, which authorizes units of local government to deposit in accounts of federally insured banks, credit unions, and savings and loan associations.

Investments

State statutes authorize the Library to invest surplus funds in certificates of deposit, savings accounts and deposit accounts with banks and savings and loan associations which are members of FDIC, credit unions which are insured by NCUA, bonds, bills or notes of the U.S., commercial paper rated within the 3 highest classifications established, U.S. or federal agency obligation repurchase agreements, bankers' acceptances and mutual funds composed entirely of the aforementioned investments that are legal for direct investment by a Library.

At year end, the Library had no investments.

NOTE 4: CAPITAL ASSETS

Capital assets activity of the Library's governmental activities was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Governmental activities:				
Depreciable capital assets				
Buildings and improvements	\$ 77,170	\$ 11,793	\$ -	\$ 88,963
Collections	285,783	20,235	-	306,018
Furniture and equipment	107,368	-	-	107,368
Vehicles	35,000	-	-	35,000
Total depreciable capital assets	505,321	32,028	-	537,349
Accumulated depreciation	(279,591)	(51,277)	-	(330,868)
Depreciable capital assets, net	225,730	(19,249)	-	206,481
Governmental activities, capital assets, net	<u>\$ 225,730</u>	<u>\$ (19,249)</u>	<u>\$ -</u>	<u>\$ 206,481</u>

BULLARD SANFORD MEMORIAL LIBRARY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2005

NOTE 5: DEFERRED REVENUE

Governmental funds report deferred revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At year end, the various components of deferred revenue are as follows:

	<u>Unavailable</u>	<u>Unearned</u>
Personal property taxes	\$ 2,231	\$ -
Grant	<u>-</u>	<u>2,872</u>
Total	<u>\$ 2,231</u>	<u>\$ 2,872</u>

The unavailable and unearned is the total in the fund financial statements and the unearned is the total in the government-wide financial statements.

NOTE 6: LONG-TERM LIABILITIES

The Library may issue loans and notes to provide for the acquisition of major capital facilities and the acquisition of certain equipment. Loans and notes are general obligation debt and are direct obligations and pledge the full faith and credit of the Library. Other long-term obligations include compensated absences.

Long-term liabilities at June 30, 2005 consisted of the following:

<u>Types of Indebtedness</u>	<u>Maturity</u>	<u>Interest Rates</u>	<u>Annual Principal Installments</u>	<u>Original Issue Amount</u>	<u>Outstanding at Year-End</u>
<u>Governmental Activities</u>					
<u>Note Payable:</u>					
Rental house	7/15/04-10/15/07	5.51%	3,210-52,345	\$ 67,500	\$ 59,328

The following is a summary of long-term liabilities transactions for the year ended June 30, 2005:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities:					
Note Payable:					
Rental house	\$ 62,538	\$ -	\$ (3,210)	\$ 59,328	\$ 3,394
Compensated Absences	<u>1,427</u>	<u>28</u>	<u>-</u>	<u>1,455</u>	<u>-</u>
Total governmental activities					
- long-term liabilities	<u>\$ 63,965</u>	<u>\$ 28</u>	<u>\$ (3,210)</u>	<u>\$ 60,783</u>	<u>\$ 3,394</u>

BULLARD SANFORD MEMORIAL LIBRARY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2005

Annual debt service requirements to maturity for the above obligations are as follows:

<u>Year Ended</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 3,394	\$ 3,229	\$ 6,623
2007	3,589	3,034	6,623
2008	<u>52,345</u>	<u>969</u>	<u>53,314</u>
	<u>\$ 59,328</u>	<u>\$ 7,232</u>	<u>\$ 66,560</u>

The following summarizes the Library's short-term obligation for the tax anticipation note:

<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
\$ -	\$ 75,000	\$ (75,000)	\$ -

NOTE 7: DISAGGREGATED RECEIVABLE AND PAYABLE BALANCES

Receivables and payables as of year end for the Library's governmental activities in the aggregate are as follows:

Receivables:

Property taxes	\$ 2,231
Intergovernmental	<u>9,552</u>
Total receivables	<u>\$ 11,783</u>

Accounts payable and accrued expenses:

Accounts	<u>\$ 842</u>
Total accounts payable and accrued expenses	<u>\$ 842</u>

NOTE 8: RISK MANAGEMENT

The Library obtains its employee insurance coverage through the policies of the City of Vassar. The City uses commercial insurance companies. The Library reimburses the City for this cost.

The library building, which is owned by the City of Vassar, is insured under the City of Vassar insurance policy. The Library reimburses the City for the cost of insurance.

The Library has obtained, from commercial insurance companies, insurance coverage for contents and other liabilities.

BULLARD SANFORD MEMORIAL LIBRARY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2005

NOTE 9: EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS

Eligible Library employees are covered under the City of Vassar's retirement plan. The City contributes to the Michigan Municipal Retirement System (MERS) for all of its eligible employees and eligible Library employees. The Library reimburses the City for this expense.

Eligible Library employees are also allowed to participate in the City's Section 457 Deferred Compensation Plan. The Library makes a contribution to the Deferred Compensation Plan for certain employees in lieu of a pension contribution. To be eligible for this deferred compensation contribution the employee must generally work between 30 and 34 hours per week.

For the year ended June 30, 2005, the Library contributed \$8,250 to the MERS Pension Plan.

NOTE 10: FUND EQUITY

Specific reservations on fund equity include:

Reserved for prepaid expenditures – This reserve was created to indicate that the portion of fund balance represented by prepaid expenditures is not available for appropriation.

Reserved for capital improvements – This reserve was created to indicate the portion of contributions designated by the donors for capital improvements is not available for any other purpose.

NOTE 11: AGREEMENTS

The Library has a lease for the library building with the City of Vassar. The lease requires a payment of \$1 per year to the City. The lease is for seven (7) years through May 6, 2009. The City then has the option of renewing the lease or deeding the property over to the Library.

The Library also has a fiscal agent agreement with the City of Vassar. Under this agreement, the City provides certain bookkeeping and administrative services. During the year ended June 30, 2005, the City was paid \$4,732 pursuant to this agreement.

The library has an agreement with the Fairgrove Library which requires that a certain portion of the Juniata Township property tax revenues be shared with the Fairgrove Library. The agreement also requires the sharing of certain other revenues such as state aid and penal fines.

NOTE 12: SUBSEQUENT EVENTS

Subsequent to June 30, 2005, the Library borrowed \$75,000 in a short-term tax anticipation note from Citizens Bank. Proceeds from the borrowing will be distributed to the Library in September of 2005.

REQUIRED SUPPLEMENTAL INFORMATION

BULLARD SANFORD MEMORIAL LIBRARY

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2005

	Budgeted Amounts			Actual Over (Under)
	Original	Final	Actual	Final Budget
Revenues:				
Property taxes	\$ 180,511	\$ 180,411	\$ 181,630	\$ 1,219
State grants	8,590	8,510	8,602	92
Contributions from other units	62,880	52,880	57,980	5,100
Interest and rents	6,700	7,000	6,982	(18)
Other revenue	1,100	3,550	154,144	150,594
Total revenues	259,781	252,351	409,338	156,987
Expenditures:				
Current				
Recreation and culture	208,987	205,502	201,038	(4,464)
Capital outlay	43,700	45,193	42,278	(2,915)
Debt service				
Principal	80,000	78,500	78,210	(290)
Interest and fees	5,450	5,450	5,179	(271)
Total expenditures	338,137	334,645	326,705	(7,940)
Excess (deficiency) of revenues over expenditures	(78,356)	(82,294)	82,633	164,927
Other financing sources:				
Proceeds from tax anticipation note	75,000	75,000	75,000	-
Total other financing sources	75,000	75,000	75,000	-
Net change in fund balance	(3,356)	(7,294)	157,633	164,927
Fund balance, beginning of year	4,014	4,014	4,014	-
Fund balance, end of year	\$ 658	\$ (3,280)	\$ 161,647	\$ 164,927

OTHER SUPPLEMENTAL INFORMATION

BULLARD SANFORD MEMORIAL LIBRARY

GENERAL FUND

DETAILED SCHEDULE OF REVENUES

Year Ended June 30, 2005

Revenues:

Property taxes:

City of Vassar	\$ 46,802
Juniata Township	13,576
Tuscola Township	53,630
Vassar Township	67,520
Payment in lieu of taxes	<u>102</u>
	<u>181,630</u>

State grants:

State aid	<u>8,602</u>
	<u>8,602</u>

Contribution from other units:

County penal fines	<u>57,980</u>
	<u>57,980</u>

Interest and rents:

Interest	932
Rents	<u>6,050</u>
	<u>6,982</u>

Other revenue:

Contributions and donations	150,755
Other	<u>3,389</u>
	<u>154,144</u>

Total revenues	<u>409,338</u>
----------------	----------------

Other financing sources:

Proceeds from tax anticipation note	<u>75,000</u>
	<u>75,000</u>

Total revenues and other financing sources	<u><u>\$ 484,338</u></u>
--	--------------------------

BULLARD SANFORD MEMORIAL LIBRARY

GENERAL FUND

DETAILED SCHEDULE OF EXPENDITURES

Year Ended June 30, 2005

Recreation and Culture:

Library:

Personnel	\$ 110,167
Fringe benefits	29,548
Supplies	15,023
Contracted services	12,185
Administrative charge to City of Vassar	4,732
Telephone	3,862
Dues and subscriptions	843
Printing and publishing	402
Insurance	5,782
Utilities	8,288
Repairs and maintenance	5,963
Equipment rental	742
Other	<u>3,501</u>
	<u>201,038</u>

Total recreation and culture	<u>201,038</u>
------------------------------	----------------

Capital Outlay:

Recreation and culture	<u>42,278</u>
	<u>42,278</u>

Total capital outlay	<u>42,278</u>
----------------------	---------------

Debt Service:

Principal	78,210
Interest and fees	<u>5,179</u>
	<u>83,389</u>

Total debt service	<u>83,389</u>
--------------------	---------------

Total expenditures	<u><u>\$ 326,705</u></u>
--------------------	--------------------------

**BERTHIAUME
& COMPANY**

Certified Public Accountants



60 Harrow Lane
Saginaw, Michigan 48603

(989) 791-1555
Fax (989) 791-1992

MANAGEMENT LETTER

To the Board of Directors
Bullard Sanford Memorial Library

We have completed our audit of the financial statements of the Bullard Sanford Memorial Library for the year ended June 30, 2005, and have issued our report thereon dated September 15, 2005. As part of our examination, we made a study and evaluation of the Library's system of internal accounting control to the extent we considered necessary to evaluate the system as required by generally accepted auditing standards. The purpose of our study and evaluation was to determine the nature, timing, and extent of the auditing procedures necessary for expressing an opinion on the Library's financial statements. Our study and evaluation was more limited than would be necessary to express an opinion on the system of internal accounting control taken as a whole.

The Library's administration is responsible for establishing and maintaining a system of internal accounting control. In fulfilling this responsibility, estimates and judgments by the administration are required to assess the expected benefits and related costs of control procedures. The objectives of a system are to provide the administration with reasonable, but not absolute assurance that assets are safeguarded against unauthorized use or disposition and that transactions are executed in accordance with the administration's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles.

Because of inherent limitations in any system of internal accounting control, errors or irregularities may, nevertheless, occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or the degree of compliance with the procedures may deteriorate.

Our study and evaluation made for the limited purpose described in the first paragraph would not necessarily disclose all material weaknesses in the system. Accordingly, we do not express an opinion on the system of internal accounting control of the Bullard Sanford Memorial Library taken as a whole. Our study and evaluation disclosed no conditions that we believe to be material weaknesses.

This report is intended solely for the use of the Library management and should not be used for any other purpose.

We wish to extend our appreciation to you and your staff for the assistance accorded us during our examination.

Sincerely,

Berthiaume & Co.

Berthiaume & Company
Certified Public Accountants

September 15, 2005